

CIA/RR MP 226

SOVIET SALES OF ALUMINUM AND OTHER METALS IN WESTERN MARKETS

Prior to 1955, neither the USSR nor the other Bloc countries sold aluminum outside the Bloc. In 1955, the USSR exported 5,000 metric tons to Western Europe and in 1956, 19,000 metric tons.

On the basis of preliminary data, Soviet exports to Western Europe totaled at least 24,000 metric tons in 1957, of which approximately 15,000 metric tons went to the United Kingdom. The heavy aluminum sales to the United Kingdom in 1957, at prices below those charged by Free World producers, have given rise to the question as to whether the USSR is dumping aluminum and other metals in order to disrupt Western markets.

The evidence does not support the interpretation that the Soviets have deliberately embarked upon a campaign to disorganize Western metal markets. Rather, efforts to sell aluminum and other Soviet metals in Western Europe are being intensified in order to acquire the foreign exchange to pay for imports from this area. The metals sold in Western markets have been largely those which the USSR possesses in ample quantities. Preliminary data show that the USSR imported goods valued at more than \$650 million from Western Europe in 1957, an increase of nearly \$35 million over 1956, and \$225 million over 1955.

Traditionally, such Soviet imports have been paid for primarily by sales of grain, manganese, timber and gold. Soviet gold sales

amounted to \$263 million in 1957 compared to \$150 million in 1956. Lacking durable consumer goods or machinery that would find general acceptance in the highly industrialized countries, the Soviets have been turning increasingly to exports of petroleum and metals, including aluminum, tin, pig iron, manganese ore, and ferroalloys, to balance their imports. It is impossible to say whether these metals have been sold at prices below the cost of production.

Under normal market conditions, buyers of metals purchase almost exclusively on the basis of price. When all sellers, including the USSR, are charging the same price, Free World buyers will almost certainly prefer Free World suppliers, for a variety of reasons. The USSR, recognizing these facts, has tailored its pricing policy accordingly. When metals were in short supply, the limited Soviet exports were sold at premium prices. For example, in 1955 the USSR received \$606.00 a ton for aluminum in the United Kingdom as compared with \$527.00 a ton charged by the Aluminum Company of Canada. At the present time, with most metals in surplus supply, normal commercial strategy would dictate that the Soviets offer their aluminum below the prices charged by Free World suppliers, if they are to sell aluminum at all. As a case in point, Soviet aluminum was sold at \$504.00 a ton in 1957, compared with \$531.00 a ton for the Canadian product, a cut of about 5 percent under the Canadian price. In short, it seems most probable that the

combination of increased Soviet imports from Western Europe and decreased Free World demand for metals, particularly in the U.S., are the basic causes of the present Soviet pricing practices in Western European markets.

Finally, Soviet exports will probably continue to increase in the near future unless there is a reversal of their present policy to increase imports from the West. The trend in net exports of metal over the past years has been upward; Soviet net exports of metals and petroleum to Western Europe amounted to \$490 million in 1957, compared to \$190 million in 1953. (These data cover aluminum, tin, pig iron, ferroalloys, zinc, gold and petroleum.) This trend will be reinforced by the continued growth in the production of industrial materials in the USSR. In 1957 the USSR produced 51 million metric tons of steel, 37 million metric tons of pig iron and 550 thousand metric tons of aluminum, holding second place in the world in the production of steel and pig iron and third in the production of aluminum. The prices charged will probably depend upon the conditions prevailing in Free World markets -- premium prices when supplies are short, going market prices or slightly shaded prices when supplies are in reasonable balance with demand, and below market prices when supplies exceed the demand.

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The evidence does not support the interpretation that the Soviets have deliberately embarked upon a campaign to disorganize Western metal markets. Rather, efforts to sell aluminum and other Soviet metals in Western Europe are being intensified in order to acquire the foreign exchange to pay for imports from this area. Also, the metals sold in Western markets have been largely those which the USSR possesses in ample quantities. Preliminary data show that the USSR imported goods valued at more than \$650 million from Western Europe in 1957, an increase of nearly \$35 million over 1956, and \$225 million over 1955.

Traditionally, such Soviet imports have been paid for primarily by sales of grain, manganese, timber and gold. Soviet gold sales amounted to \$263 million in 1957 compared to \$150 million in 1956. Lacking durable consumer goods or machinery that would find general acceptance in the highly industrialized countries, the Soviets have been increasingly turning

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Under normal market conditions, users of metals buy almost exclusively on the basis of price. When all sellers, including the USSR, are charging the same price, Free World users will almost certainly prefer Free World suppliers, for a variety of reasons. The USSR, recognizing these facts, has tailored its pricing policy accordingly. When metals were in short supply, the limited Soviet exports were sold at premium prices. For example, in 1955 the USSR received \$606.00 a ton for aluminum in the United Kingdom as compared with \$527.00 a ton charged by the Aluminium Company of Canada. At the present time, with most metals in surplus supply, normal commercial strategy would dictate that the Soviets offer their aluminum below the prices charged by Free World suppliers, if they are to sell aluminum at all. As a case in point, Soviet aluminum was sold at \$504.00 a ton in 1957, compared with \$531.00 a ton for the Canadian product, a cut of about 5 percent under the Canadian price. In short, it seems most probable that the combination of increased Soviet imports from Western Europe and decreased Free World demand for metals, particularly in the U.S., are the basic causes of the present Soviet pricing practices in Western European markets.

Finally, Soviet exports will probably continue to increase in the near future unless there is a reversal of their present policy to increase imports from the West. The trend in net exports over the past years has been upward; USSR net exports of metals and petroleum to Western Europe

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